

HeBSdigital

A Case Study on Utilizing a Sophisticated SEM Technology to Increase Conversions, Boost Revenues and Optimize Search Engine Marketing ROIs

| By Jason Price and Toby Tornay

Paid search marketing continues to function as a critical direct online channel tool to combat the OTAs, making it essential that hoteliers understand how sophisticated search marketing technology can optimize campaign performance, increase ROIs, boost conversions and revenues, and ultimately save precious marketing dollars.

HeBS Digital is a Google AdWords Qualified Company and one of the early adopters of travel and hotel SEM. By utilizing state-of-the art SEM management technology, we are able to achieve consistent ROIs of 1,000% and above for many of our clients. In an effort to really prove the value of using this sophisticated technology, HeBS Digital conducted a pre- and post-study over a 12-month period, using Adobe® SearchCenter+, powered by Omniture® and introducing bid rules at the midpoint. The search campaign was based on hotel name searches only and yielded not only an increase in revenues of up to 1600% in one case but also lowered the cost per click for all three cases in the study. The bid rules were shown to positively impact cost per click, average positioning, and other important metrics for search engine marketing.

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Introduction:

Online advertising, a \$25.8 billion business in the U.S. and \$61 billion worldwide, surpassed print advertising for the first time in December 2010, a business worth \$22.8 billion in the U.S. last year (eMarketer).

Online banner advertising and paid search marketing command a lion's share of digital marketing budgets—the search ad market in the U.S. is expected to reach \$14.38 billion in 2011 (ePathChina). The four largest search engines account for nearly 94% of the overall search ad market. Of these four, Google is expected to win 75.9% of all search ad dollars in the U.S. this year, in contrast to the joint Bing/Yahoo partnership with only 15.9% market share. As more media moves their business models online to new tablet formats, this trend of spending large portions of marketing budgets on paid search will only continue.

Hotel digital marketing is no exception to the trends, as Search Engine Marketing (SEM) remains a major revenue driver for hotels and a tool to combat the online travel agencies. Approximately \$5.4 billion annually in lost "leakage" revenues were paid to Expedia and its ilk from hotels using the OTAs to sell inventory. To help combat this leakage, most HeBS Digital clients dedicate one-third or more of their entire online marketing budget to paid search marketing.

With all the money being pumped through the Google AdWords machine, hotel marketers must use advanced technology solutions to manage paid search campaigns in a way that generates the highest conversions, revenues and ROIs. One such tool is Adobe® SearchCenter+, powered by Omniture®, which HeBS Digital has been using since the introduction of this industry leading SEM management technology back in 2006. HeBS Digital has since introduced this tool to many luxury and boutique hotel brands, full service hotels, resorts and casinos. All clients are given 24/7 access to their Adobe® SearchCenter+, powered by Omniture® account where they can monitor—in real time—how their SEM campaigns are performing. It also enables HeBS Digital to utilize sophisticated bid rules to maximize returns from paid search campaigns, and to provide reporting down to an incredibly granular level.

The following case study explores the impact of bid rules on SEM campaigns. Here we examine the influence of bid rules, a mechanism in Adobe® SearchCenter+, powered by Omniture®, to determine how much SearchCenter helps HeBS Digital drive more hotel bookings, achieve higher ROIs and cut unqualified clicks/ad spend for its clients.

Welcome to the World of Bid Rules:

HeBS Digital analyzed the marketplace and chose Adobe® SearchCenter+, powered by Omniture® because Adobe had the most sophisticated bid rule functionality. As the phrase suggests, "bid rules" is a generic term to describe the practice of establishing a set of rules to achieve campaign and business goals in search engine marketing. HeBS Digital utilizes bid rules to achieve business and revenue goals for its clients and to successfully compete for better placement on the SERPs. SearchCenter can help in budget planning, forecasting the paid search marketing spend, and even project revenues based on the spend level.

Google provides some quasi-bid rules in the form of day-parting, geographic delivery, and upper and lower maximum spends per keyword. In contrast, SearchCenter allows the use of complex bid rules that can determine how the keyword placement, the budget, and search performance influences the delivery of the keyword. For example, if a certain keyword ranks higher in the SERPs and is shown to lead to more reservations over the performance of other keywords, then the budget should increase for that term. Conversely, for a term that generates lots of clicks but few conversions, the budget can be lowered.

At HeBS Digital, we employ bid rules to help optimize paid search campaigns. Our SEM experts monitor these campaigns up to the minute on a daily basis. For this case study, we randomly selected three hotels and focused on the hotels' official name campaign results over a 12-month period. A follow up study will look at geo-targeted and key customer segment campaigns, but for this study we focused only on the hotel name campaigns as hoteliers often question why they should even bid on their own hotel name in paid search. Obviously, for hotels whose names include their locations, this serves them especially well.

Study Methodology:

This pre/post study covered a 12-month period. We randomly selected three independent hotels and evaluated the keyword performance of the hotel name campaigns for six months. After introducing bid rules, we then compared results at the end of the next six months. As these tests are very progressive, preliminary research returned no insight into best practices, conditions or parameters for these campaigns; therefore, we used intuition and years of Internet marketing experience to set three different sets of conditions.

We first created different sets of bid rules to see if there would be any meaningful results. For the first hotel case, we set the bid rule as follows: only if the keyword appears in the third position or lower (4th, 5th, etc.) on average in AdWords and has recorded ten or more bookings initiated over a 90-day period, the budget should increase by 25 cents. Conditions for the second hotel were simpler. If the average position is lower than second on AdWords in any seven-day period, the budget should increase by 10 cents. For the third hotel, if the average position was 2.5 or lower over a seven-day period, then increase the budget per keyword by 15 cents. An example of the actual bid rule implementation in Adobe® SearchCenter+, powered by Omniture® can be seen below.

The screenshot shows the 'Bid Logic' configuration interface. It is divided into three main sections: 'Data Evaluation Period', 'Configure Actions', and 'Day-Part Override' (which is currently collapsed). The 'Data Evaluation Period' section has 'Evaluate' set to 'Based on bid trigger' and a duration of '90 days of previous data'. The 'Configure Actions' section is the primary focus, showing a table with two columns: 'When the following criteria are met:' and 'Perform Action:'. Under 'When the following criteria are met:', there is 'Action Set 1' with two criteria: 'Avg. Pos' greater than or equal to 3, and 'Initiated Bookings' greater than or equal to 10. Below these is an 'Add Criteria' button. The 'Perform Action:' column shows 'Increase Bid by' set to 0.25 USD, with an 'up to' section containing 'Use Rule Default Max Bid of 5.00 USD' (selected) and 'Max Bid =' (empty). At the bottom of the criteria section, it says 'Execute Action(s) if All criteria are met'. Below the table is an 'Add Action Set' button. At the bottom of the interface, there are three buttons: 'Save', 'Save and Run Now', and 'Cancel'.

When the following criteria are met:	Perform Action:
Action Set 1 Avg. Pos greater than or equal to 3 and Initiated Bookings greater than or equal to 10 + Add Criteria Execute Action(s) if All criteria are met	Increase Bid by 0.25 USD up to <input checked="" type="radio"/> Use Rule Default Max Bid of 5.00 USD <input type="radio"/> Max Bid = USD

[+ Add Action Set](#)

[Save](#) [Save and Run Now](#) [Cancel](#)

The Case Study:

Everything was kept as consistent as possible as to not influence the results. Over the course of these 12 months, the overall budget did increase because there was no overall fixed budget in our study, and the campaigns were monitored but not modified in any way to influence study outcomes. For hotel name campaigns we used ad copy that simply announced the official hotel website. By specifically testing hotel name campaigns we limited any biases that seasonality may have played. Lastly, these hotels have small marketing and PR budgets and had no significant promotions or other activities that would have influenced the traffic to the hotel in one part of the year over the other.

Study Questions

How do paid search campaigns results compare before and after bid rules were introduced? Is rules-based performance on paid search the way to go? Can bid rules improve the outcomes in the management of SEM campaigns?

Study Results

The pre- and post-bid rule performance for each hotel is illustrated in Table I below. The results appear unanimous for all three hotels. Using bid rules in SearchCenter for the hotel name campaigns positively influences outcomes. Indeed the difference is dramatic when compared to the prior six months.

Table I describes the percent change from before to after bid rules were introduced at the end of the sixth month in this 12-month study. All three hotels generated positive results from the use of bid rules after the introduction. In all cases, clicks, ROAS, CPC, CTR, and average position improved dramatically

An increase in the campaign budget was expected since the bid rule conditions set the price per keyword to increase if the search term in the campaign performed well. In each case, terms performed well and more of the budget was added to bid for higher positioning and more exposure as conversions rolled in. After applying bid rules, each hotel experienced an increase in revenue from 177%-1600%.

Also, the cost per click per keyword declined and for one hotel by as much as 67 percent. Even though more money was spent for the overall campaign, the average CPC dropped. The drop in average cost per click suggests two things: first, the ad copy ad was strong and generated more clicks, and second the quality score by Google rewards better performance with lower CPC.

Table I

KPI	Hotel 1	Hotel 2	Hotel 3
Impressions	Not Reported	-24.00%	47%
Clicks	165.00%	95%	696%
Campaign Budget Cost	127.00%	78%	157%
Revenue	338.00%	177%	1604%
ROAS	140.00%	55%	563%
Cost per Click	-14.00%	-9.00%	-67%
Click through rate	Not Reported	180.00%	500%
Avg. Position	Improved 9%	Improved 30%	Improved 36%

As shown in Table I, this test reduced cost per click, increased revenues and increased ROAS from 55% to over 500%—clearly proving the worthwhile use of bid rules.

Table II illustrates the actual revenue gains from all three branded keyword campaigns.

Table II
Total Revenues Before/After

	Hotel 1	Hotel 2	Hotel 3
W/o Bid Rules	\$45,000	\$69,829	\$14,000
With Bid Rules	\$61,000	\$140,000	\$23,000

As previously mentioned, with this bid rules experiment, the overall budget across all campaigns in each Google account did increase, as the budgets for the specific tested campaign increased and there was no overall fixed budget. So the question then becomes, is the increase in overall budget worth it for the hotel? The answer lies in whether or not the percent change in ROAS outweighs the percent increase in overall spend. In Table III, we can see the results:

Table III

	Hotel 1	Hotel 2	Hotel 3
Overall Budget with No Bid Rules	\$8,291.78	\$36,808.47	1680.97
Overall Budget with Bid Rules	\$8,628.02	\$46,434.65	4252.89
Change in Overall Budget	4%	26%	153%
ROAS with No Bid Rules	544%	90%	27%
ROAS with Bid Rules	713%	202%	647%
Change in ROAS	31%	124%	2296%

It is clear from this table that for all hotels in this study, the increase in budget was completely outweighed by the increase in ROAS. For the third hotel, we can see that even though there was an increase in spend by 153%, which may seem high, there was an increase in ROAS of 2296%. Clearly these bid rules are paying off. We now see that by running bid rules on a single campaign, there are remarkable improvements to the specific campaign as well as the overall Google AdWords account. This practice can now be applied and tested for other campaigns within the accounts for these three hotels, and for other hotels' accounts as well.

Conclusion:

With Adobe® SearchCenter+, powered by Omniture®, we have the luxury to truly drill down into the results and spend more of our client's precious marketing dollars on those campaigns, ad groups, and keywords that perform best. We can optimize the paid search marketing budget to extract as much value out of every cent in the budget. This case study demonstrates that using bid rules to optimize campaigns is the best use of your marketing budget and a great way to outsmart your competition.

Why is SEM an important component of the hotelier's direct online channel strategy? SEM generates immediate bookings (between 50-70% of the hotel's online revenues) at a good ROAS, and allows the hotel to position their marketing messages instantaneously in front of thousands of potential guests. Hoteliers should not entrust their paid search campaigns to just anyone – they must work with a company that uses the latest SEM management technology and has in-house experts that know how to use it.

About the Authors:

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HeBS Digital is a Google Adwords Qualified Company and has over 20 Google Qualified experts on staff. One of the early adopters of travel and hotel SEM, HeBS Digital's SEM experts have been actively using and managing travel and hotel SEM and PPC client campaigns since 1997. HeBS Digital has pioneered many of the "best practices" in hotel Internet marketing, social and mobile marketing, and direct online channel distribution. The firm has won over 135 prestigious industry awards for its digital marketing and website design services, including numerous Adrian Awards, Davey Awards, W3 Awards, WebAwards, Magellan Awards, Summit International Awards, Interactive Media Awards, IAC Awards, etc.

A diverse client portfolio of over 500 top tier major hotel brands, luxury and boutique hotel brands, resorts and casinos, hotel management companies, franchisees and independents, and CVBs has sought and successfully taken advantage of the firm hospitality Internet marketing expertise offered at HeBS. Contact HeBS consultants at (212) 752-8186 or info@HeBSdigital.com